



PONY EXPRESS COMMUNITY BANK

MEMBER FDIC

February 7, 2011

Ms. Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Re: Docket No. R-1404 and RIN No. 7100 AD63

As a community banker, I am quite concerned about provisions of the Frank-Dodd Act (Durbin Interchange Amendment), specifically those requiring the Federal Reserve to place price controls on debit card interchange fees. The proposed price constraints fail to consider the true costs of development, maintenance, and operation of transaction processing systems; education / marketing, issuance and management of debit card programs; fraud and other exposure to issuing institutions; and a reasonable return on investment. Just as importantly, the value to merchants of an efficient system providing them with certainty of payment has been overlooked.

Our little bank is expected to experience reduced debit card revenues in excess of \$90,000 / annually if you implement the interchange rules as proposed. That may not sound like much to you, but it is a huge deal in a \$65 million dollar community bank and an expense / reduction in revenue that will necessarily be replaced through restrictions on issuance of cards, reduction in services, transaction or annual debit card fees, elimination of free or low cost consumer accounts and/or any number of increased costs and reduced options to consumers and small businesses.

During my 30 years in community banking, I have observed free market competition and the resulting benefits to consumers and small businesses. Interchange rates should be established by free and open market competition not by government intervention or controls.

Please slow down and take the time to properly consider the consequences – both intended and unintended - of the proposed interchange price controls.

Thank you for allowing me to share my concerns.

Very truly yours,

Robert A. Means
President